

Message Text

SECRET

PAGE 01 CARACA 05833 01 OF 02 262350Z

63

ACTION ARA-10

INFO OCT-01 SS-14 ISO-00 NSC-07 NSCE-00 EB-03 L-02 H-01

CIAE-00 INR-10 NSAE-00 RSC-01 PRS-01 CIEP-01 OMB-01

FEA-01 TRSE-00 DRC-01 /054 W
----- 042614

R 262050Z JUN 74

FM AMEMBASSY CARACAS
TO SECSTATE WASHDC 4363

S E C R E T SECTION 1 OF 2 CARACAS 5833/1

LIMDIS

E.O. 11652: GDS

TAGS: ENRG

SUBJECT: CONVERSATIONS BETWEEN VENEZUELAN GOVERNMENT AND
MAJOR FOREIGN OIL COMPANIES

1. ROBERT DOLPH, PRESIDENT OF CREOLE, CALLED ON ME THIS MORNING. WHAT HE REVEALED MUST BE HELD IN STRICTEST SECRECY.
2. DOLPH CONFIRMED WHAT MINISTER OF MINES VALENTINE HERNANDEZ HAD TOLD ME (CARACAS 5363), THAT CONVERSATIONS HAD BEEN INITIATED BETWEEN MINISTER OF MINES AND THE TWO LARGEST FOREIGN OIL COMPANIES, CREOLE AND SHELL, AS A SORT OF PRELIMINARY SKIRMISH ON BOTH SIDES TO SEE WHAT COULD BE WORKED OUT IN THE NEW REGIME OF NATIONALIZATION PUBLICLY ANNOUNCED BY PRESIDENT CARLOS ANDRES PEREZ. DOLPH SAID THE FIRST MEETING BETWEEN CREOLE AND THE MINISTER, PLUS MINISTER OF STATE PEREZ GUERRERO, WENT CORDIALLY ENOUGH; BUT THAT AT A LUNCHEON GIVEN BY EXXON PRESIDENT GARVIN ATTENDED BY MINISTER OF MINES HERNANDEZ, PEREZ GUERRERO AND MINISTER OF DEVELOPMENT CARMELO LAURIA, THE VENEZUELAN ATTITUDE HAD NOTABLY HARDENED. AS WAS TO BE EXPECTED, THE VOLATILE MINISTER OF DEVELOPMENT TOOK AN EXAGGERATEDLY NATIONALISTIC STANCE AND INSISTED THAT EXXON SHOULD ADMIT VENEZUELA TO DOWNSTREAM OPERATIONS AS FAR AS THE GAS PUMP IN DIRECT PROPORTION TO THE AMOUNT OF OIL WHICH VENEZUELA SUPPLIED THE CORPORATION. GARVIN INDIGNANTLY

SECRET

SECRET

PAGE 02 CARACA 05833 01 OF 02 262350Z

POINTED OUT THAT IF EXXON ADMITTED SUCH A CONCEPT, IT WOULD

LEAD TO THE TAKEOVER OF EXXON BY THE VARIOUS OIL-PRODUCING COUNTRIES WHICH PROVIDED IT CRUDE. HIS EFFORTS TO ELICIT A MORE MODERATE AND CONSTRUCTIVE RESPONSE FROM PEREZ GUERRERO RESULTED IN EVASION, WHILE THE MINISTER OF MINES SAID ABSOLUTELY NOTHING THROUGHOUT THE MEAL.

3. SUBSEQUENT ATTEMPTS TO CONTINUE CONVERSATIONS, AT LEAST ON THE PART OF CREOLE, HAVE BEEN ONLY DESULTORY BUT UNPRODUCTIVE. DOLPH HAS THE IMPRESSION THAT THE VENEZUELAN NEGOTIATING TEAM (IF IN FACT THAT DESCRIPTION IS ACCURATE) IS UNDER INSTRUCTIONS FROM PRESIDENT PEREZ TO BE COMPLETELY NONCOMMITTAL.

HOWEVER, AT ONE POINT THE VENEZUELAN SIDE SUGGESTED THAT CREOLE REVERT TO A SERVICE CONTRACT POSITION IN WHICH ITS TECHNOLOGICAL EXPERTISE WOULD BE UTILIZED BY THE STATE IN RETURN FOR CONTRACT REIMBURSEMENT. TO THIS, CREOLE REPLIED THAT IT WAS AN OIL COMPANY AND NOT A WELL DRILLING CONSTRUCTION COMPANY. THE WHOLE PHILOSOPHY OF CREOLE WAS TO ACT AS A RISK TAKER TO PRODUCE OIL AND, IF OIL WERE FOUND, TO MERIT A REASONABLE RETURN ON THE RISK INVESTMENT COMMITTED.

4. IN AN ATTEMPT TO CREATE SOME MOVEMENT IN A FAVORABLE DIRECTION, DOLPH ON JUNE 7 SENT LETTERS TO PEREZ GUERRERO AND TO MINISTER OF MINES VALENTIN HERNANDEZ OUTLINING AN EXAMPLE OF TYPE OF ARRANGEMENT WHICH GARVIN HAD HAD IN MIND IN HIS CONVERSATIONS WITH VENEZUELANAS AS REPRESENTING SOMETHING THAT WOULD BE BENEFICIAL TO ALL CONCERNED. THIS WAS PUT FORWARD AS AN INFORMAL IDEA--WHICH DOLPH EMPHASIZED WAS NOT A PROPOSAL--WHICH MIGHT BE A POSSIBLE MODUS VIVENDI WHICH IN EFFECT WOULD PUT CREOLE INTO A MINORITY OWNERSHIP WITH THE GOVERNMENT IN A NEW PRODUCING COMPANY. GOV WOULD OWN A MAJORITY OF THE EQUITY AND, ALTHOUGH DOLPH MENTIONED NO NUMBERS IN HIS LETTER, HE USED A 60-40 SPLIT AS AN EXAMPLE IN TALKING TO ME. IN ORDER TO GIVE KUDOS TO PRESIDENT PEREZ, IT WOULD BE PUBLICLY PROCLAIMED THAT CREOLE'S CONCESSIONS AND PHYSICAL ASSETS HAD REVERTED TO THE GOVERNMENT BUT THAT A NEW PARTNERSHIP AGREEMENT HAD BEEN WORKED OUT FOR THE CONTINUED PRODUCTION OF OIL WITH THE GOVERNMENT HAVING, AS INDICATED ABOVE, A PREDOMINANTLY MAJORITY OWNERSHIP AND FULL CONTROL. EACH SIDE WOULD RECEIVE OIL IN PROPORTION TO ITS EQUITY, BUT PRESUMABLY FURTHER ALONG THE LINE CREOLE COULD WORK OUT BUY-BACK ARRANGEMENTS FOR SOME OF THE PRODUCTION WHICH WOULD BELONG TO GOV.

5. NEITHER MINISTER OF MINES NOR PEREZ GUERRERO HAS THUS FAR
SECRET

SECRET

PAGE 03 CARACA 05833 01 OF 02 262350Z

RESPONDED TO DOLPH'S LETTER, AND HE DOES NOT KNOW EVEN IF HIS TENTATIVE SUGGESTION HAS BEEN BROUGHT TO THE ATTENTION OF PRESIDENT PEREZ. HOWEVER, IN MY OPINION, FROM WHAT I KNOW OF BOTH MINISTERS, IT IS PRACTICALLY CERTAIN THAT PEREZ HAS BEEN INFORMED OF THE TENTATIVE CREOLE PROPOSAL.

6. BECAUSE NATINALIZATION OF PETROLEUM IS SO MUCH A POLITICAL FOOTBALL IN THIS COUNTRY, PEREZ MAY BE SWEEPED ALONG NOT ONLY BY THE CURRENTS OF POLITICAL AMBITION AND CRITICISM IN THE OPPOSITION

PARTIES BUT MORE LIKELY BY THE IMPETUS OF HIS OWN NATIONALISTIC
SUCCESSSES WHICH EASILY COULD BECOME EXCESSES. FOR EXAMPLE, DOLPH
IS FEARFUL THAT AT THE WIND-UP ON SATURDAY OF THE NATIONWIDE
DEDECAMARAS CONVENTION IN SAN CRISTOBAL, WHICH IS TO BE CONCLUDED
BY A SPEECH FROM CARLOS ANDRES PEREZ, THE PRESIDENT MAY SEIZE
THIS PLATFORM AND OPPORTUNITY TO PROCLAIM APPOINTMENT OF "INTER-
VENORS" TO SIT WITHIN COMPANIES TO ASSURE ASSETS ARE NOT SPIRITED
AWAY. CERTAINLY THE NATIONALISTIC OVERTONES OF PEREZ'S SPEECH AT
THE OPENING OF THE LOS CONFERENCE LAST WEEK WOULD SEEM TO JUSTIFY
A CERTAIN AMOUNT OF FOREBODING,
MCCLINTOCK

SECRET

NNN

SECRET

PAGE 01 CARACA 05833 02 OF 02 262351Z

63

ACTION ARA-10

INFO OCT-01 SS-14 ISO-00 NSC-07 NSCE-00 EB-03 L-02 H-01

CIAE-00 INR-10 NSAE-00 RSC-01 PRS-01 CIEP-02 OMB-01

FEA-01 TRSE-00 DRC-01 /055 W
----- 042626

R 262050Z JUN 74

FM AMEMBASSY CARACAS
TO SECSTATE WASHDC 4364

SECRET SECTION 2 OF 2 CARACAS 5833/2

LIMDIS

ESPECIALLY THE PRESIDENT'S REFERENCES TO IMPERIALISTIC GOVERN-
MENTS WHICH HAD BESPOILED THE LESSER DEVELOPED COUNTRIES,
ABETTED BY IMPERIALISTIC MULTINATIONAL CORPORATIONS.

7. GIVEN THIS NEURALGIC PROSPECT, IT IS ALL THE MORE IMPORTANT
THAT I ENDEAVOR TO OPEN THE DIALOGUE WITH PRESIDENT PEREZ ALONG
THE LINES OUTLINED IN STATE 126784. LAST NIGHT I TOLD PEREZ
GUERRERO AT DINNER THAT I INDEED HOPED TO HAVE AN OPPORTUNITY
TO SEE THE PRESIDENT SOON, AND HE SAID THAT HE WOULD TAKE IT
UP WITH THE CHIEF EXECUTIVE AND ENDEAVOR TO ARRANGE A PROMPT
MEETING. I DELIBERATELY FOREBORE FROM GOING INTO ANY DISCUSSION
WITH THE MINISTER OF STATE CONCERNING HIS DISCUSSIONS WITH OUR
IRON AND OIL COMPANIES AS I THOUGHT IT PREFERABLE TO SOUND OUT

THE PRESIDENT DIRECTLY BEFORE ATTEMPTING A DISCREET DALOGUE
WITH HIS MINISTERS.

8. UNDER CATEGORY OF RUMORS, DOLPH MENTIONED THAT THERE
IS INCREASING INTENSITY TO SPECULATION THAT THREE MINISTERS WILL
SOON BE REPLACED: HYDROCARBONS, AGRICULTURE, AND FOREIGN MINISTER.
RUMOR HAS IT THAT PEREZ GUERRERO WOULD BE NEW MINISTER OF MINES
AND HYDROCARBONS.

9. MEANWHILE--AND TO RETAIN OUR SENSE OF PERSPECTIVE--IT IS
IMPORTANT TO NOTE THAT VENEZUELAN PRODUCTION SEEMS NOW TO HAVE
SECRET

SECRET

PAGE 02 CARACA 05833 02 OF 02 262351Z

STABILIZED AT JUST UNDER THREE MILLION B/D. DOLPH SAID THAT GOV
WAS PERHAPS JUSTIFIED IN CUTTING BACK PRODUCTION IN LAKE MARACAIBO
BY INSISTING THAT FLARED GAS BE REINJECTED ALTHOUGH THIS IN FACT
HAD CUT DOWN DAILY PRODUCTION. AS FOR THE POTENTIAL OF EXPORTING
VENEZUELAN NATURAL GAS, DOLPH SAID HE THOUGH THE GOVERNMENT
WAS RIGHT IN JETTISONING THIS IDEA. FROM A PURELY VENEZUELAN
POINT OF VIEW, IT WAS WISER TO KEEP THE GAS IN THE GROUND FOR
THE BENEFIT OF FUTURE GENERATIONS, PROBABLY IN THE FORM OF A
MORE EFFICIENT PETROCHEMICAL INDUSTRY.
MCCLINTOCK

SECRET

NNN

Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: DEMARCHE, PETROLEUM, INFLATION, MEETINGS, MINISTERS (DIPLOMATS), DIPLOMATIC DISCUSSIONS, PRICE TRENDS
Control Number: n/a
Copy: SINGLE
Draft Date: 26 JUN 1974
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: WorrelSW
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974CARACA05833
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740169-0087
From: CARACAS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740613/aaaaakth.tel
Line Count: 196
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: SECRET
Original Handling Restrictions: LIMDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: SECRET
Previous Handling Restrictions: LIMDIS
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: WorrelSW
Review Comment: n/a
Review Content Flags:
Review Date: 23 SEP 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <23 SEP 2002 by boyleja>; APPROVED <26 FEB 2003 by WorrelSW>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: CONVERSATIONS BETWEEN VENEZUELAN GOVERNMENT AND MAJOR FOREIGN OIL COMPANIES
TAGS: ENRG, VE
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005